

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

DISCOVISION ASSOCIATES,

Plaintiff,

v.

FUJI PHOTO FILM CO., LTD., a Japanese  
corporation; FUJIFILM U.S.A., INC., a New  
York corporation; FUJIFILM RECORDING  
MEDIA MANUFACTURING U.S.A., INC., a  
Delaware corporation; and FUJI MAGNETICS  
GMBH, a German corporation,

Defendants.

Index No.: 07-Civ.-6348 (PAC)

**BRAUN DECLARATION EXHIBIT 3**

**FUJIFILM**

Annual Report 2007

# VISION75

A Successful **First** Step

Toward a **Second** Foundation



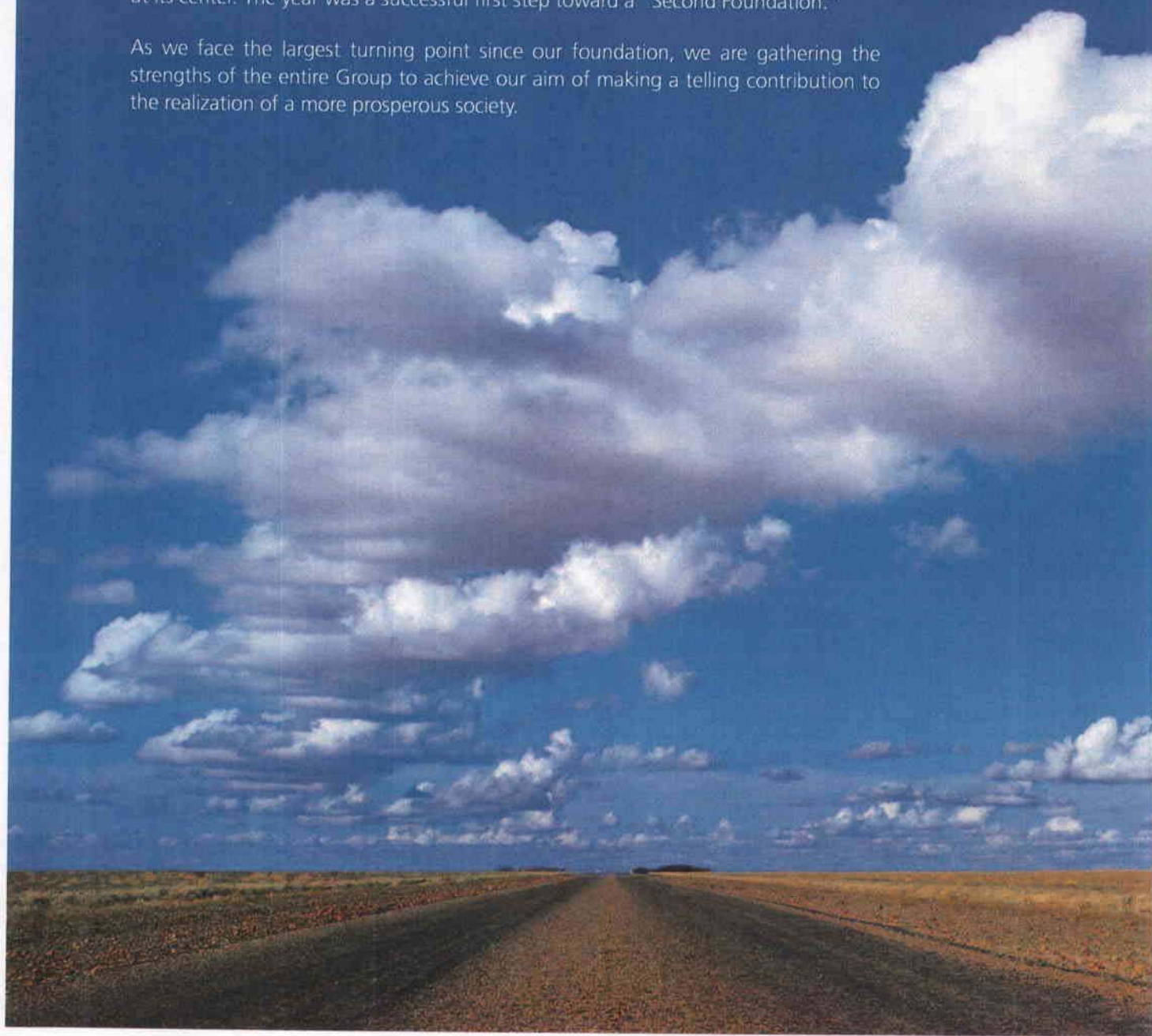
## Fujifilm Corporate Philosophy

We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology and industry, as well as improved health and environmental protection in society.

Our overarching aim is to help enhance the quality of life of people worldwide.

In the fiscal year ended March 2007, as we developed priority businesses, we also completed sweeping structural reforms focused mainly on the imaging field, and established a new group management system with FUJIFILM Holdings Corporation at its center. The year was a successful first step toward a "Second Foundation."

As we face the largest turning point since our foundation, we are gathering the strengths of the entire Group to achieve our aim of making a telling contribution to the realization of a more prosperous society.





© MASAOKI AIHARA  
Near Birdsville, Queensland, Australia

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Forward-looking statements such as those relating to earnings forecasts and other projections contained in this annual report are management's current assumptions and beliefs based on information available at the time. Such forward-looking statements are subject to a number of risks, uncertainties and other factors. Accordingly, actual results may differ materially from those projected due to various factors. This annual report is not provided for the purpose of soliciting investment. Investment decisions are made at the discretion of, and are the responsibility of, the user of the information contained herein.

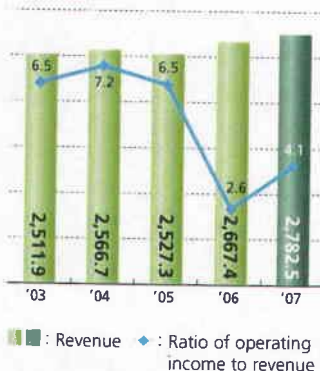
## Financial Highlights

FUJIFILM Holdings Corporation and Subsidiaries

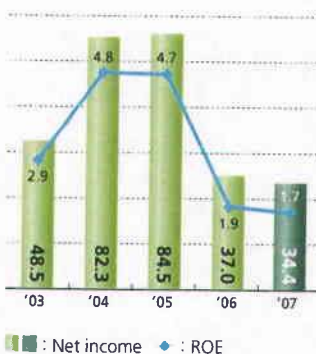
	2007	2006	2005	2004	2003	Year ended March 31 2007
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
Revenue	<b>¥ 2,782,526</b>	¥ 2,667,495	¥ 2,527,374	¥ 2,566,725	¥ 2,511,921	<b>\$ 23,580,729</b>
Operating income (Note 2)	<b>113,062</b>	70,436	164,442	184,900	164,400	<b>958,153</b>
Income before income taxes	<b>103,264</b>	79,615	162,346	164,948	120,513	<b>875,119</b>
Net income	<b>34,446</b>	37,016	84,500	82,317	48,579	<b>291,915</b>
Research and development expenses	<b>177,004</b>	182,154	168,017	173,323	159,119	<b>1,500,034</b>
Capital expenditures (Note 3)	<b>165,159</b>	179,808	157,420	160,740	127,319	<b>1,399,653</b>
Depreciation and amortization (Note 3)	<b>215,429</b>	225,434	182,286	172,622	173,986	<b>1,825,669</b>
(Depreciation)	<b>146,325</b>	156,928	130,360	124,634	126,695	<b>1,240,042</b>
Total assets at year-end	<b>3,319,102</b>	3,027,491	2,983,457	3,023,509	2,958,317	<b>28,127,983</b>
Total shareholders' equity at year-end	<b>1,976,508</b>	1,963,497	1,849,102	1,749,882	1,680,611	<b>16,750,068</b>
Per share of common stock (Yen / U.S. dollars)						
Net income: Basic (Note 4)	<b>¥ 67.46</b>	¥ 72.65	¥ 164.78	¥ 160.38	¥ 94.51	<b>\$ 0.57</b>
Diluted (Note 5)	<b>65.04</b>	72.65	164.78	160.38	94.51	<b>0.55</b>
Cash dividends	<b>25.00</b>	25.00	25.00	25.00	25.00	<b>0.21</b>
ROE (%)	<b>1.7</b>	1.9	4.7	4.8	2.9	

Notes: 1. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥118=US\$1, the exchange rate prevailing on March 31, 2007.  
 2. Operating income for the fiscal years ended March 31, 2006 and 2007 is affected by structural reform expenses of ¥86,043 million and ¥94,081 million, respectively.  
 3. Figures do not include amounts for rental equipment handled by the Document Solutions segment.  
 4. The amounts of basic net income per share are based on the weighted average number of share of common stock outstanding during the year.  
 5. Diluted net income per share reflects the potential dilution and has been computed on the basis that all conversion rights of the Euroyen convertible bonds were exercised and outstanding.

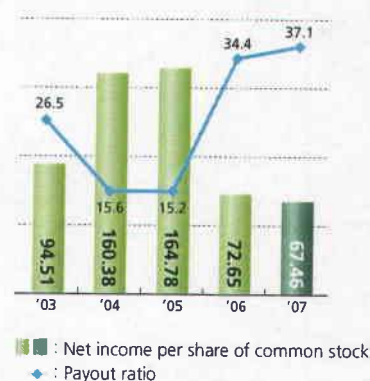
• Revenue / Ratio of Operating Income to Revenue  
(Billions of yen / %)



• Net Income / ROE  
(Billions of yen / %)



• Net Income per Share of Common Stock / Payout Ratio  
(Yen / %)





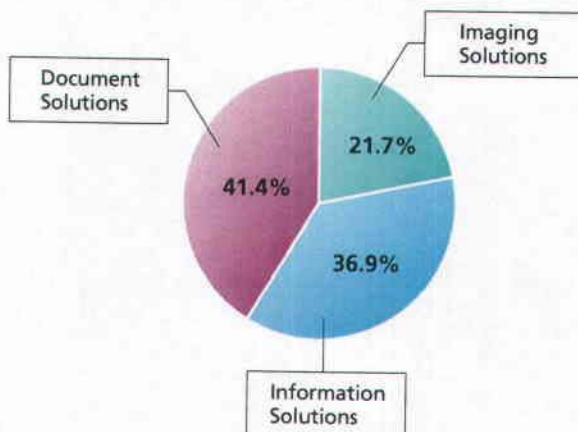
## • Operating Segments Revenue

	2007	2006	2005	2004	2003	2007
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
Imaging Solutions	¥ 605,383	¥ 689,458	¥ 742,993	¥ 815,527	¥ 830,990	\$ 5,130,364
Information Solutions	1,026,085	877,366	768,680	755,159	724,299	8,695,636
Document Solutions	1,151,058	1,100,671	1,015,701	996,039	956,632	9,754,729
Consolidated total	¥ 2,782,526	¥ 2,667,495	¥ 2,527,374	¥ 2,566,725	¥ 2,511,921	\$ 23,580,729

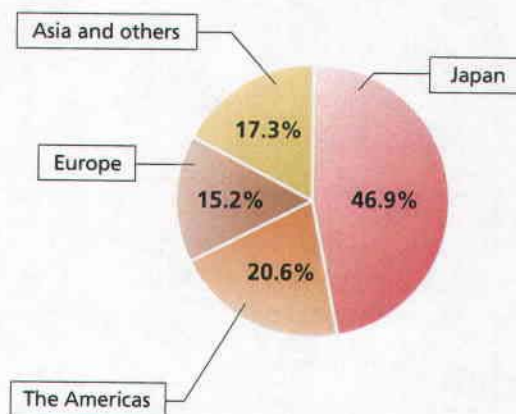
## • Revenue by Region (Destination Base)

	2007	2006	2005	2004	2003	2007
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
Japan	¥ 1,303,647	¥ 1,329,284	¥ 1,311,893	¥ 1,336,015	¥ 1,330,119	\$ 11,047,856
The Americas	572,797	558,702	515,169	541,982	562,827	4,854,212
Europe	422,965	375,516	349,903	376,006	333,699	3,584,449
Asia and others	483,117	403,993	350,409	312,722	285,276	4,094,212
Consolidated total	¥ 2,782,526	¥ 2,667,495	¥ 2,527,374	¥ 2,566,725	¥ 2,511,921	\$ 23,580,729

## • Proportion of Revenue from Operating Segments '07



## • Proportion of Revenue by Region (Destination Base) '07



## A Message From the CEO



Shigetaka Komori,  
President and  
Chief Executive Officer

## Toward a "Second Foundation"

### Review of Business Results for Fiscal Year Ended March 2007

Consolidated revenue in the fiscal year ended March 2007 rose by 4.3% year on year to ¥2,782.5 billion (\$23,580 million), despite lower revenues in the Imaging Solutions segment, mainly in color films and digital minilabs. Revenues rose significantly in the Information Solutions segment, buoyed in particular by medical products and services, CTP (computer-to-plate) plates and flat panel display (FPD) materials. Revenues also rose in the Document Solutions segment, where healthy sales were recorded for digital multifunction devices, mainly overseas. A weaker yen against the U.S. dollar and euro also boosted revenue.

We achieved operating income of ¥113.0 billion (\$958 million), a large increase of 60.5% year on year, the result mainly of higher sales volume and a reduction in fixed costs yielded by progress with structural reforms. These factors offset increased costs caused by soaring prices for such principal raw materials as silver and aluminum, and ¥94.1 billion in expenses associated with the concentrated implementation of structural reforms centered on the Imaging Solutions segment and the Group-wide "Slim & Strong Drive" cost-

reform program initiated in the second half of the fiscal year ended March 2007. Income before income taxes also increased by 29.7% to ¥103.2 billion (\$875 million), despite the negative impact of the decline in value of investment securities as part of structural reforms. Due to an increase in income taxes, net income decreased by 6.9% to ¥34.4 billion (\$291 million).

### Structural Reform – Initiatives and Results

During the last two fiscal years, we implemented fundamental structural reforms targeting mainly the Imaging Solutions segment. Specifically, in the photosensitive materials field, which includes color films, we conducted a reorganization of our tripolar global manufacturing system made up of facilities in Japan, Europe and the U.S., as well as streamlining the workforce and rigorously cutting expenses in sales and distribution. Other actions in this business included slashing R&D investment and consolidating photofinishing labs. These structural reforms progressed largely as planned and were completed by the end of March 2007. We are confident that they have yielded a business structure capable of generating



stable earnings into the future by optimizing business systems so they can adapt to changes in market size.

### Promoting Growth Strategies

Fujifilm has positioned medical systems and life sciences, graphic arts, documents, optical devices, and highly functional materials (FPD materials, electronic materials, and inkjet materials) as priority business fields. We are pursuing growth strategies in these areas through proactive M&A initiatives, capital investments and R&D investments. In addition, we are carrying out research and development towards accelerating the creation of new businesses and products that will play a leading role in the future. At the core of this research are the FUJIFILM Advanced Research Laboratories, established in April 2006.

### Strengthening Consolidated Management

The Fujifilm Group moved to a holding company structure on October 1, 2006. Since then, we have been operating with a new Group management structure centered on FUJIFILM Holdings Corporation, under which there are two major operating companies: FUJIFILM Corporation and Fuji Xerox Co., Ltd. FUJIFILM Holdings Corporation is responsible for the overall management of the Group. At the same time, we also revamped the corporate governance system for Group management—the Board of Directors of FUJIFILM Holdings Corporation comprises directors selected from both FUJIFILM Corporation and Fuji Xerox Co., Ltd. This marks our first appointment of an outside director, a move which will further enhance management transparency.

In February 2007, in order to boost strategic collaboration and create concrete synergies among these three companies, we concentrated their head office functions at Tokyo Midtown in Roppongi, Tokyo.

Moreover, seizing the opportunity of the move to a new management structure, we launched a “Slim & Strong Drive” aiming to create a more brawny, more robust company. The main thrust of this drive is to achieve the utmost efficiency of and better prioritize the use of manufacturing costs, selling, general and administrative (SG&A) expenses, and R&D expenses. This ongoing drive targets all organizations in the Group.

### Increasing Corporate Value

In this letter I have discussed our progress with our medium-term management plan, VISION75 (2006). We have made satisfactory progress so far, and I believe that we have built a corporate structure which will facilitate growth in the future.

But to realize our “Second Foundation” by making full use of this structure to drive forward the strategies contained in VISION75 (2006) and ensure future growth, we have relaunched our plan as VISION75 (2007). The new plan targets the key issues of promoting growth strategies and creating a robust corporate constitution. While boosting investment in priority businesses, we will also implement, through the “Slim & Strong Drive,” speedy and decisive measures to reduce manufacturing costs and SG&A expenses, and to streamline and strengthen the functions of administrative departments through the greater use of shared services. Through these efforts, we aim to bring about a sharp performance improvement in operating income in the fiscal year ending March 2008 and achieve a record result of ¥200 billion. The goal for the fiscal year ending March 2010, the final year of the medium-term management plan, is operating income of ¥250 billion or more.

We also aim to use the timing of this sharp performance improvement to return the higher earnings to our shareholders. Having reviewed such returns, we have set the target of a 25% return (the total of cash dividends and share buybacks divided by consolidated net income) to shareholders applicable to the fiscal year ending March 2008 and thereafter. We therefore plan to increase the annual dividend applicable to the year ending March 2008 by ¥10 to ¥35 per share. However, the amount will ultimately be determined based on our performance up until that time.

In conclusion, I would like to express my sincere appreciation to our stakeholders for their support and guidance. Please continue to support us as we strive to achieve our goals.

July 2007

Shigetaka Komori  
President and Chief Executive Officer



# Features A Successful First Step Toward a Second Foundation

## 「VISION75」 Medium-term Management Plan

~Review of VISION75 (2006) and Strategies in VISION75 (2007)~

Fujifilm formulated the VISION75 medium-term management plan in 2004. Under the plan, we have undertaken various measures pivoting on three fundamental strategies—"building new growth strategies," "implementing comprehensive structural reforms at all management levels," and "enhancing consolidated management." In January 2006, as the market environment in which we operate had changed more rapidly than expected, we reformulated the plan as VISION75 (2006). We implemented radical structural reforms in the imaging field and expanded existing growth businesses and new businesses by concentrating our management resources. In the fiscal year ending March 31, 2008, we will carry out our strategies even more intensively based on VISION75 (2007), a further updated version of the plan. This will enable us to target our "Second Foundation" having secured firm prospects for future growth.



06

FUJIFILM Annual Report 2007

→ Year ended March 31, **2007**  
(Actual results)

**Steady progress achieved, exceeding the initial targets formulated in VISION75 (2006)**

### Priority Issues for VISION75 (2006)

- Complete fundamental structural reforms centered on the imaging field and achieve sharp performance improvement in the fiscal year ending March 31, 2008.
- Promote strategic growth focused on medical systems / life sciences, graphic arts, documents, optical devices, and highly functional materials.
- Create new businesses and products that will play a leading role in the future by tightening the focus of R&D investment, centered on the FUJIFILM Advanced Research Laboratories.
- Use the shift to a holding company structure to maximize the value of the Fujifilm Group by further strengthening consolidated management and pursuing overall optimization.



By taking action to address the priority issues outlined on the left, we completed structural reforms centered on the imaging field and expanded business through aggressive M&As in growth business fields. In addition, we managed to establish a base for further reinforcing consolidated management by shifting to a holding company structure and concentrating head office functions. As a result, we expect to achieve a sharp performance improvement in the fiscal year ending March 31, 2008.

# VISION75

Revenue

¥3,150.0 billion

Operating Income

¥250.0 billion  
or higher

Operating margin

8% or higher

Revenue

¥2,850.0 billion

Operating  
Income

¥200.0 billion

07

→ Year ending March 31, 2008  
(Forecast)

→ Year ending March 31, 2010  
(Planned)

## Drive VISION75 (2007) implementation forward

Where VISION75 (2007) is concerned, we will step up investment in priority business fields, based on the themes of "further promoting growth strategies" and "realizing a robust corporate constitution." In addition, we will swiftly and resolutely promote reductions in manufacturing costs and selling, general and administrative (SG&A) expenses through the "Slim & Strong Drive" as well as measures to share resources, improve efficiency, and reinforce functions in non-operating divisions by bringing about shared services.

## Establish a new growth track toward our "Second Foundation"

The fiscal year ending March 31, 2010, the final year of the medium-term management plan, is a landmark year that will witness the Company's 75th anniversary. However, we also regard it as a major milestone in our efforts to ensure sustained growth going forward. As we work toward our "Second Foundation," we will establish a new growth track to achieve our targets of ¥3,150 billion in revenue and more than ¥250 billion in operating income.



# Review of VISION75 (2006)

## Medium-term Management Plan



## Growth Strategies



The priority business fields we have identified are medical systems / life sciences, graphic arts, documents, optical devices, and highly functional materials—such as flat panel display (FPD) materials, electronic materials, and inkjet materials. By concentrating investment of resources in these fields, we are promoting the sustained development of growth businesses and the cultivation of new businesses.

### Medical Systems / Life Sciences

#### ■ Medical Systems

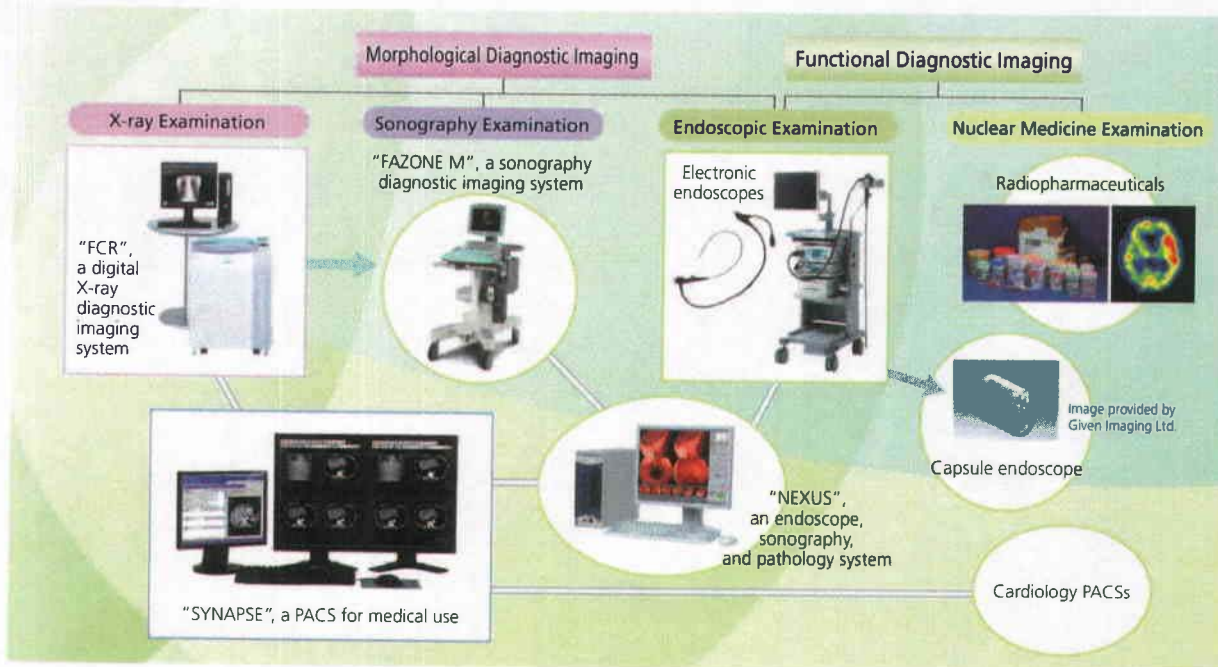
Fujifilm is expanding sales of systems including imagers, centered on FCR (Fuji Computed Radiography) digital X-ray imaging and diagnostic systems, amid the ongoing digitization of the market. Furthermore, amid the trend toward networks at medical facilities, we are expanding our network service business, centered on SYNAPSE, a medical-use picture archiving and communications system (PACS) for which demand is growing steadily.

In October 2006, Fujifilm acquired all of the issued shares of Daiichi Radioisotope Laboratories, Ltd. (currently FUJIFILM RI Pharma Co., Ltd.), a leading manufacturer of radiopharmaceuticals. Nuclear medicine examination, which utilizes radiopharmaceuticals, is a safe examination method that enables functional and other variations caused by disease in internal organs to be detected before changes in morphology

occur. It plays a major role in the diagnosis of various brain diseases, heart diseases, and tumors. Having made Daiichi Radioisotope Laboratories a subsidiary, we are expanding our business fields into nuclear medicine diagnostic imaging pharmaceuticals and therapeutic radiopharmaceuticals.

In December 2006, Fujifilm acquired Problem Solving Concepts, Inc., a provider of cardiology PACSs, through its U.S. sales subsidiary FUJIFILM Medical Systems U.S.A., Inc. The market for cardiology PACSs, which are mainly used in the diagnosis and treatment of heart disease, is expanding rapidly owing to increasing use of IT at hospitals, and it is a market where further growth is expected. Going forward, we will expand sales of SYNAPSE worldwide to medical institutions that are seeking to introduce cardiology PACSs and share imaging information between radiology and cardiology

#### Fujifilm Group's Medical Systems Business





departments.

In the field of endoscopy, we are further strengthening the infrastructure for domestic and overseas sales and services, and are leveraging such differentiated products as Transnasal Endoscopes to increase our market share. In March 2007, FUJINON Corporation signed a strategic agreement with Given Imaging Ltd. of Israel, the global leader in capsule endoscopy.

The agreement covers the sale of capsule endoscopes, the supply of components, and research and development relating to next-generation endoscope systems. Based on this alliance, we are further reinforcing our competitiveness in the field of gastrointestinal endoscopy and further cementing our leading position in technology aimed at the next generation.

## Life Sciences

In September 2006, Fujifilm entered the healthcare field by launching functional cosmetics and internal care products.

We possess a broad spectrum of core technologies accumulated over many years of research and development of photosensitive materials. These technologies play a vital part in people's lives, and we have effectively applied them and commercialized them in the healthcare field.

Fujifilm has developed "Rapid SNPs Diagnostics System" that examines single nucleotide polymorphisms (SNPs), which

determine personal physical differences. By 2008, we aim to commercialize a compact, fully automatic rapid processing system that can be used for Point of Care Tests (POCTs), which will be required at medical facilities in the future.

Furthermore, since March 2007 we have been jointly developing a revolutionary drug delivery system that controls the sustained release of anti-cancer drugs with Cangen Biotechnologies, Inc., a U.S. biotechnology venture.

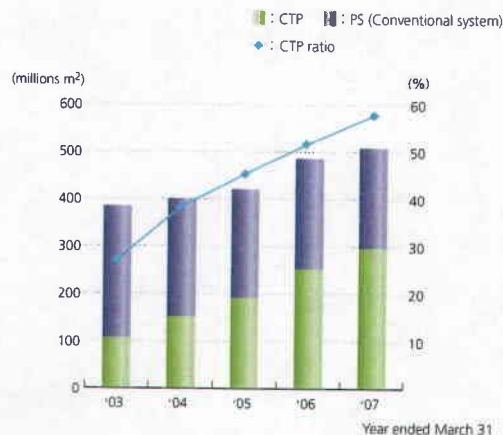
## Graphic Arts

As the digitization of the printing industry advances, computer-to-plate (CTP) systems—digital printing systems—are likely to achieve further diffusion and sales growth around the world. To capture such demand, Fujifilm is strengthening its quadripolar manufacturing system, comprising facilities in the U.S., the Netherlands, China and Japan, and promoting a sales organization that is closely linked to markets. In the Chinese market, where demand is expanding rapidly, a new factory operated by FUJIFILM Printing Plate (Suzhou) Co., Ltd., which became our second pre-sensitized (PS) plate and CTP plate

manufacturing plant in China, entered full-scale operation in March 2007. In addition to fulfilling demand within China, we will also make effective use of this plant as a base for exports to other parts of Asia and elsewhere.

We will continue to reinforce our manufacturing and sales organization on a global basis. By utilizing the advantages of our CTP plates, namely, their high sensitivity, high definition, and suitability for printing, we aim to further expand sales and gain a 40% share of the global CTP plate market.

Total Global Printing Plate Demand and CTP Ratio



FUJIFILM Printing Plate (Suzhou) Co., Ltd. entered operation as Fujifilm's second PS plate and CTP plate manufacturing base in China. In the graphic arts business, we are endeavoring to bolster our worldwide sales capabilities and cost competitiveness by building a quadripolar operating network.

## Review of VISION75 (2006)

### Medium-term Management Plan

#### Growth Strategies

## Documents

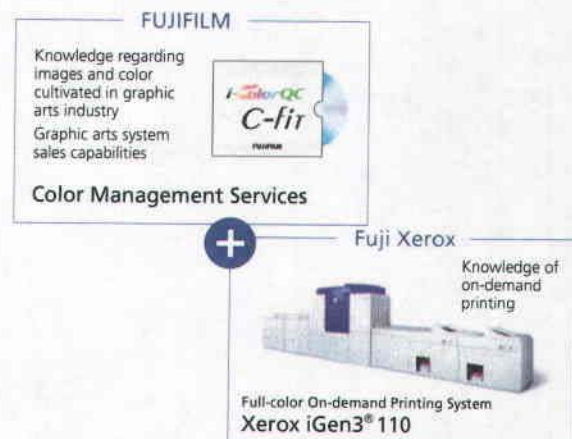
Amid legislative trends such as the forthcoming Japanese version of the Sarbanes-Oxley Act, companies are taking vigorous steps to develop and operate internal control systems. This is leading to increasing demands for the conversion of paper documents into an electronic form and for integrated management of information. Viewing these as growth opportunities, we develop software and services to meet such needs and have established dedicated sales teams to provide full-fledged support. By these means, we have accelerated the expansion of our office services business.

In Asia-Pacific region including China, where market growth is expected, we will make maximum use of the sales infrastructure we have established and enhanced so far as we endeavor to further increase our share of the color multi-function device market.

Print-on-demand is a field that we expect to develop substantially based on cooperation between FUJIFILM Corporation and Fuji Xerox Co., Ltd. Fuji Xerox has secured the top

position in the on-demand output field. By adding FUJIFILM's expertise regarding color printing and digital image processing technologies, we will further solidify this leading position.

### Synergies Between FUJIFILM Corporation and Fuji Xerox Co., Ltd. in Print-on-demand Field



## Optical Devices

In the camera phone lens segment, sales of megapixel lens units are growing steadily in tandem with the diffusion of camera phones and the development of higher-performance products. In response, we are strengthening our market position by expanding production capacity mainly at our Shenzhen and Tianjin factories. Moreover, as increasingly high resolution cameras are developed, aspherical lenses are required. Being very difficult to manufacture, such lenses have offered an opportunity for our technological capabilities to gain further distinction in the market. We intend to achieve greater differentiation through such value-added functions as autofocus and zoom and thereby boost our market share.

In addition, we will start full-scale supply of security camera lenses, for which demand is projected to grow, leveraging our ability to provide high-specification, high-performance products at low prices. Our aim is to establish a new position in this market.



FUJIFILM's Shenzhen plant in China is a major manufacturing base for lens units used in camera-equipped mobile phones. It is expanding production capacity to meet demand growth.

## Highly Functional Materials

### ■ Flat Panel Display (FPD) Materials

Underpinned by burgeoning demand for liquid-crystal displays (LCDs), including LCD televisions, FUJITAC, which is indispensable in LCDs, and WV Film, which enables wider viewing angles, have achieved steady sales growth. The Group is actively boosting production capacity in anticipation of

further growth in demand.

In October 2006, we launched operations at FUJIFILM Kyushu Co., Ltd.'s first FUJITAC plant. We plan to follow up this move by bringing a second plant online in August 2007 and a third plant in April 2008.